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# Weekly Summary

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May 14, 1976

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology.

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary

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## Middle East

### LEBANON 1

Ilyas Sarkis, with strong backing from Syria and conservative Christians and Muslims, was elected president by Lebanon's parliament last weekend, despite last-minute efforts by militant leftists to impede the vote. The outcome of the balloting was a major setback for leftist coalition leader Kamal Jumblatt, who was able to prevent only 29 of the 98 deputies from participating in the election. Sarkis' victory also gave a much needed boost to Syrian policy in Lebanon.

Jumblatt's failure to disrupt the session and Sarkis' near unanimous endorsement—he received the votes of 66 of the 69 deputies in attendance—have had a sobering effect on the leftists. They have shown some willingness this week to cooperate with Sarkis, if not with their nemesis, Syria. The Syrians, for their part, see Sarkis' strong showing in the vote and the endorsements he has since received from a broad spectrum of Lebanese notables as a vote of confidence for Syrian peace efforts and a sign that Jumblatt and the leftists are becoming increasingly isolated.

Damascus still faces many problems in Lebanon, the most pressing of which is the smooth transfer of power to the president-elect. Ironically, the Christians themselves pose the greatest single threat to plans for Sarkis' inauguration next week.

On the eve of the election, Christian militiamen launched a major offensive in the mountains of central Lebanon with a view to improving their bargaining position before political negotiations begin. The Christians apparently want to secure several mountain villages lost earlier so that they can create a supply route that connects the major Christian city in the east with the Christian core area. The leftists have retaliated by escalating the fighting in disputed areas of Beirut.

Despite their failure to make any significant territorial gains, the Christians have refused to accept a Syrian-brokered cease-fire. There is some concern that President Franjiyah may delay his resignation, thus preventing Sarkis from assuming office.

There are tentative signs that additional Syrian troops have moved into Lebanon since the election to ensure Sarkis' inauguration. The Syrians remain reluctant to use their forces in a way that would increase animosity among the Lebanese toward their presence and heighten Israel's suspicion of Damascus' intentions. Consequently, Syrian troops have been used only to quell disturbances in northern Lebanon, where pro-Iraqi Palestinians and Lebanese have tried to spark new violence. *(An estimate of what a Sarkis presidency might be like appears on page 14).*

troublesome basic issues unresolved.

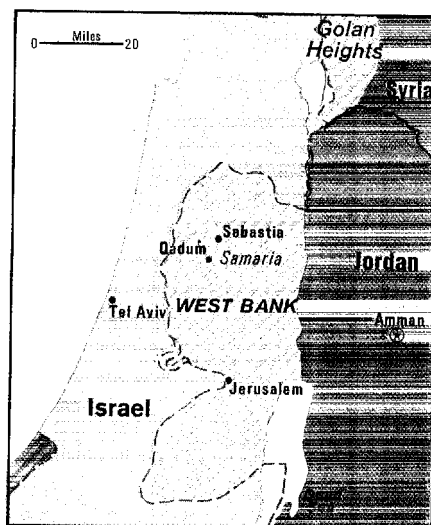
Prime Minister Rabin's government committed itself to the debate last December when the extremist Gush Emunim religious settlement group sought to establish a settlement near Sebastia in Samaria without government approval. Over 100 squatters were permitted to remain at an Israeli army camp at nearby Qadum pending the government's review of its overall settlement policy. The resolution adopted last weekend—without the support of two coalition parties—stated that no permanent settlement is to be established at Qadum. The resolution reaffirmed, however, the government's commitment to set up additional settlements elsewhere in the occupied territories.

The cabinet decided that it would offer the settlers a new site, but deferred a decision on the explosive issue of where that might be. The settlers are demanding another site in Samaria. They hope to force the government to modify its long-held policy of prohibiting Jewish settlements in that region, which is heavily populated by Arabs. The government has promised to reach a decision soon.

Rabin's coalition cabinet remains divided on the issue. The struggle is essentially between those who assert that Jews should be allowed to settle anywhere in the traditional "Land of Israel," including the West Bank, and those who want to limit settlements to strategically important locations in order to leave open the option of territorial compromise in peace negotiations with the Arabs. Rabin, supported by a cabinet majority, favors the latter approach.

The conservative National Religious Party, supported to some extent by Labor Party conservatives such as Defense Minister Peres, argues that no part of the West Bank should be subject to a blanket prohibition against Jewish settlements. This position is strongly opposed by the coalition's left-wing Mapam Party, which believes that any additional West Bank settlements only serve to undercut efforts to reach a peace agreement.

### ISRAEL 2-3



The coalition cabinet on May 9 debated at length its policy on additional Jewish settlements in the occupied territories. In the end, a compromise resolution was adopted that averted a possible immediate government crisis but left politically

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**SECRET****USSR-EGYPT** 1-3

Since the signing of the annual Egyptian-Soviet trade protocol late last month, Moscow and Cairo have taken additional steps to ease the strain in their relations.

The Egyptians made the unusual gesture of sending Minister of War Gamasy to Moscow for the funeral of Marshal Grechko, ended their strident anti-Soviet propaganda campaign, and have not followed through on President Sadat's threat to publish Soviet-Egyptian diplomatic correspondence detrimental to Moscow.

The Soviets reciprocated by giving Gamasy a cordial reception and by ceasing much of their polemics against Cairo. They have even replayed Egyptian comments that despite the "mistakes" that led to abrogation of the Soviet-Egyptian friendship treaty, relations should be "protected and preserved."

These developments indicate that cooler heads have prevailed and that both Moscow and Cairo want to prevent a continuing downward spiral in relations.

So far, the resumed Egyptian-Soviet dialogue has been confined largely to atmospheric. Gamasy had no substantive conversations in Moscow, and Soviet Ambassador Polyakov's two recent talks with Fahmi appear not to have gone beyond a general discussion of a Middle East settlement.

The Kremlin is presumably still angry about Sadat's humiliating decision to annul the treaty and his subsequent moves to improve relations with Peking. Sadat has displayed no inclination to make any political concessions to Moscow that would be prerequisite to a significant improvement in relations. He remains convinced that Moscow will pull no punches in seeking to break his hold on power in Egypt.

As long as the underlying suspicion and antagonism prevail, it seems that the most Cairo and Moscow can hope for is the establishment of more businesslike relations and a muting of open hostility.

**PAKISTAN** 6-7

Afghanistan's invitation last week to Pakistani Prime Minister Bhutto to visit Kabul, and Bhutto's acceptance, are the latest signs that relations between the two countries are improving. The visit may take place next month.

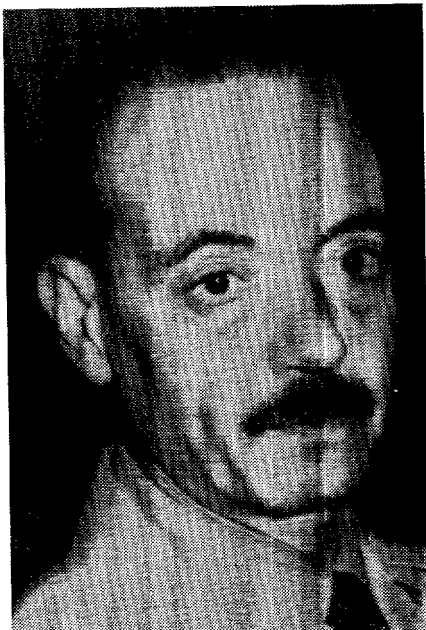
Relations have been poor since Mohammad Daoud came to power in Kabul in 1973 and sharply increased Afghan agitation on the Pushtunistan issue, a long-standing territorial dispute between the two countries.

Last month the Pakistanis pledged some \$1 million in food and other relief assistance for victims of a recent earthquake and flooding in Afghanistan. They also suspended propaganda against the Daoud regime. The Afghans responded by easing their anti-Pakistan propaganda.

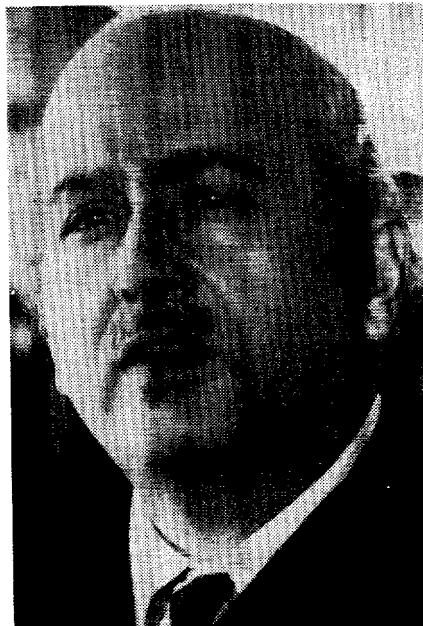
These developments followed a Pakistani initiative to ease tensions with India, Pakistan's other regional adversary and a supporter of the Daoud government. In late March, Bhutto wrote to India's Prime Minister Gandhi offering to withdraw a five-year-old Pakistani claim against India before the International Civil Aviation Organization. Bhutto's letter opened the way for an agreement to hold a new round of talks on various Indo-Pakistani issues, including possible restoration of diplomatic relations, which were suspended during the 1971 Indo-Pakistani war. The talks began on May 12 with the arrival in Islamabad of an Indian team led by Foreign Secretary Mehta.

Bhutto's interest in reducing tensions with his Indian and Afghan neighbors may have been stimulated by recent signs of a modest improvement in India's frosty relationship with China, which Pakistan has long viewed as its primary big-power supporter. Daoud, for his part, may believe that the nascent thaw between India and Pakistan increases Afghanistan's need to reduce friction with Pakistan, which is stronger militarily.

Even though both countries appear interested in lessening tensions, neither seems prepared to make basic concessions



Minister of War Gamasy

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Foreign Minister Fahmi

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**SECRET****GAMMA***Prime Minister Bhutto*

on the Pushtunistan issue. Afghanistan has maintained its position that the two Pakistani border provinces inhabited by the Pushtun and Baluchi ethnic groups should be granted self-determination or greater autonomy by Islamabad; the Pakistanis reject this view.

**Africa****NAMIBIA**

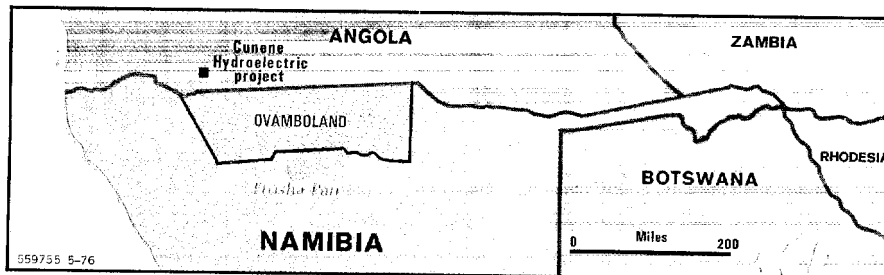
South African authorities have announced that a security buffer zone one kilometer in depth is being established along part of Namibia's border with Angola. The buffer zone, which is to

parallel the border of the Ovambo tribal homeland, is intended to help counter sporadic cross-border incursions by Namibian nationalist guerrillas belonging to the South-West African Peoples' Organization who are operating from Angola.

Since last August a series of small-scale terrorist attacks in northern Namibia, which the South Africans blame on SWAPO guerrillas, has resulted in the killing of at least 17 Ovambo tribesmen and the abduction of 21 others. The South Africans fear that Namibian guerrillas will receive increasing aid from the Popular Movement government in Angola, or from the Cuban contingents helping Agostinho Neto's regime to consolidate its control over southern Angola.

Neto's future support for SWAPO will probably be tempered by fears of South African military reprisals, and by Angola's need for South African participation in completing the important Cunene hydroelectric project. Nevertheless, international backing for SWAPO insurgency is likely to grow as long as Pretoria tries to maintain its control of Namibia in defiance of the UN and the Organization of African Unity.

On the other hand, the effectiveness of the insurgency may be impeded by quarreling among the Namibian exiles. In Zambia, where SWAPO has maintained bases since 1966, government authorities recently announced that a number of SWAPO officials had been placed under "protective custody." In addition, 41 SWAPO guerrillas based in Zambia have reportedly been detained.



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The Zambians probably also fear that an open split among SWAPO leaders might lead to competing bids for Chinese and Soviet support. In the past SWAPO has received token aid from both Peking and Moscow as well as the OAU.

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**Europe****ITALY***15-18*

The campaign for Italy's parliamentary election on June 20 is getting under way. The parties are now drawing up candidate lists, which must be submitted by May 19.

The Christian Democrats and Communists, in particular, are attempting to broaden their appeal by including some "new faces" among their candidates. The Communists, for example, have persuaded some prominent Catholic intellectuals and a retired air force general to run on their lists for the Senate. The Christian Democrats' most impressive catch so far is Umberto Agnelli, managing director of Fiat and brother of Fiat chairman Giovanni Agnelli. The latter, Italy's most influential industrialist, has so far resisted attempts by the fiscally conservative Republican Party to enlist him as a candidate.

The parties are still developing their platforms. Preliminary comments by Prime Minister Moro and Socialist leader De Martino indicate that campaign debate will center on whether or not to grant the Communist Party a role in the

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government. In an interview this week, Moro asserted that his Christian Democrats remain the "central axis" of Italian democracy and implied that increased Communist influence would threaten Italian liberties. De Martino, meanwhile, has ridiculed the Christian Democrats for continuing to insist that the Communists should not be in the government, while at the same time showing a willingness to negotiate government programs with them—something Moro seemed ready to do before his government fell on April 30.

The Communists got a jump on campaign preparations, but are wrestling with some difficult tactical problems themselves. The principal one is how to balance an attack on the Christian Democrats with continued defense of Communist chief Berlinguer's "historic compromise" proposal for an eventual alliance with them.

in the process. (*An analysis of Italian Communist Party economic proposals, appears on page 11.*)

#### Stabilization Measures

Rome Last week announced an import deposit plan, an export financing scheme, and further currency controls intended to boost the lira in the weeks before the national election of June 20 and 21.

The import deposit plan requires importers and others dealing in foreign exchange to deposit half the value of their foreign purchases in noninterest-bearing accounts at the central bank for three months. Imports financed by external borrowing are exempt from this deposit requirement. This restriction, besides discouraging the outflow of foreign exchange, should sop up domestic liquidity and help reduce the money supply. The blocking of funds on such a major scale, however, may exert further pressure on bank interest rates—already at 15 percent and more—and increase the financial problems of small businessmen.

If importers can secure necessary financing, the deposit plan is likely to have only a limited effect on trading patterns. Its low carrying charges will boost prices of foreign goods only marginally. Imports from the US would be less affected than others because wheat purchases—a substantial share of Italian imports from the

US—are exempt.

To increase the inflow of foreign exchange, Rome has imposed additional export financing rules and currency controls. Exporters are now required to obtain 30 percent of the value of any export credit in foreign currencies. Furthermore, all foreign currency receipts must be converted into lira within seven days of acquisition. The Bank of Italy has also prohibited short-term lira loans to foreign banks as a way of stemming speculation.

Italy's trade account has begun to deteriorate badly. The first quarter trade deficit this year—\$1.5 billion—was double that for the first three months of 1975. Past devaluations have driven up import prices, and nervous businessmen have used the trade account to hide capital flight by padding import invoices. The new plan would make this practice less profitable.

Rome apparently plans to supplement its defense of the lira with intervention in exchange markets to moderate swings in the lira's value. Italy will ask the EC for a new short-term loan of up to \$1 billion—already approved in principle—to prop up its reserves. Rome also is seeking funds from other sources as well as asking for extensions of some outstanding obligations.

## PORTUGAL 22, 24-26

An endorsement by Portuguese Socialist Party leader Mario Soares on May 12 has established Army Chief of Staff Ramalho Eanes as the front-runner for the presidential election on June 27. Eanes' chief opponent may be Prime Minister Pinheiro de Azevedo, who earlier this week reaffirmed his interest in becoming a candidate.

Soares emphasized that no deal had been made with Eanes to gain his support for the Socialists' plan to form a minority government. Soares said it is only a coincidence that the centrist Popular Democrats and the conservative Social

Democratic Center are also backing Eanes, and that the Socialists do not plan to join them in a coalition government this summer.

Eanes, a 41-year-old infantry officer, still has not made a formal announcement of his candidacy, but he is expected to this weekend. He has spent the past week soliciting the views of military colleagues at bases throughout the country.

A decision by Azevedo—a career naval officer—to throw his hat into the ring could result in a split in loyalties in the armed forces. Many Portuguese civilians and military officers believe, however, that a second viable candidate is important. Should General Eanes run unop-

posed, the election would be viewed both in Portugal and abroad as undemocratic. Eanes' backers are confident that his broad support in the military and among the parties will assure his election despite the fact that he is not nearly as well known as some other military figures.

Azevedo has no such recognition problem, and if the election were held now he would probably win. His courageous performance as prime minister during an extremely difficult period has won him many admirers, but organized support for his candidacy may be forthcoming only from the Communists and possibly other leftist groups. Such support could prove a liability.

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USSR

27-28

General Secretary Brezhnev's military promotion to Marshal of the Soviet Union may have been prompted by a desire to reassure the population that, although a civilian had been named to replace Grechko, the person in ultimate charge is the "experienced" Brezhnev. Over the last few years there has been a considerable effort to build up Brezhnev's war record, even though as political officer, he played only a minor combat role. Last year, he was honored with a promotion to general of the army. His latest promotion may have also been intended to reassure the military that Brezhnev—as

Marshal of the Soviet Union and chairman of the USSR Defense Council—will look after the interests of the armed forces.

The next step in enhancing Brezhnev's role as military leader could be some public recognition that he is commander of the armed forces in peacetime. At the moment he is apparently designated to act as Supreme Commander in Chief only in the event of war. This arrangement was probably acceptable both to the political leadership and the military hierarchy so long as a professional soldier headed the Defense Ministry. The appointment of Ustinov, however, may prompt the military to argue more strongly for the creation of a unified, military-political command with Brezhnev or his successor as Supreme Commander in Chief.

Since Brezhnev's promotion, Soviet publications have been full of praise for him as a political and military leader. Recent speeches by Brezhnev's Politburo colleagues Podgorny and Shcherbitsky have emphasized that Brezhnev's life and work have been closely associated with the armed forces.

The rank of Marshal of the Soviet Union, created in 1935, is the second highest rank in the Soviet military. Generalissimo is the highest, but Stalin is the only one who has held that rank. In addition to Brezhnev, three professional military officers on active duty are Marshals of the Soviet Union.

modify their tactics against the Icelandic patrol boats three week ago. Iceland did not relax its tactics, however, and several British trawlers lost expensive gear. On May 4, some of the trawlers threatened to leave the area permanently unless London authorized better naval protection. The next day, the trawlers returned, and this time the British protection vessels engaged the Icelandic patrol boats. Within a few hours, ships on both sides sustained crippling damage.

Officials of the Progressive Party—the junior partner in the two-party Icelandic coalition—last weekend attacked the US and NATO for failure to support Iceland. After a strongly worded speech by party chairman and former prime minister Olafur Johannesson, the party's central committee on May 8 issued a resolution citing the "difficulty" for Iceland of continued cooperation with NATO and urging the US not to take the Keflavik base "for granted." Johannesson's criticism of the US stemmed this time from the decision not to lend or lease Iceland fast patrol boats.

Two days later, Foreign Minister Agustsson—also of the Progressive Party—suggested publicly that he might boycott the NATO ministerial meeting next week. He added that Iceland could close the base, "which Iceland does not need," and still remain a member of NATO.

In private, Agustsson has told the US charge that he could offer some "slight hope for a settlement" next week," after parliament adjourns. He warned that a settlement must be reached soon if the "common interests of all of us are not to be damaged."

Agustsson's tough public stance presumably reflects his party's attitude, while his private willingness to compromise could signal the government's intention to try to end the dispute soon. Any quick agreement at this time, however, would tend to vindicate London's aggressive tactics at sea, and a week or two of cooling off might be necessary before a settlement could be reached.

ICELAND-UK

29-31

Tension increased over the past week following a series of new incidents between the Icelandic coast guard and British protection vessels. Unless a new fishing agreement is reached soon, public sentiment in Iceland against the US-manned base at Keflavik, as well as against the country's membership in NATO, will mount.

London ordered its protection vessels to

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## FRANCE 32-33

The French Ministry of Defense has proposed a five-year military spending plan that calls for a record defense budget of almost \$12.5 billion in 1977, up about 16 percent from this year's budget.

The plan was approved by the Council of Ministers on May 5 and is to be formally presented to the National Assembly later this month. Military spending under the plan will continue to increase an average of almost 15 percent a year during the next five years. At this rate, the defense budget would be almost \$25 billion by 1982—about one fifth of the projected national budget.

These increases reflect the trend in French defense policy toward modernizing the navy and creating stronger, more flexible conventional forces. Under the five-year plan, France's tactical and strategic nuclear forces—with the exception of the strategic bombers—will continue to be given priority attention, but the conventional forces will receive a larger share of the defense budget than in the past. The increased allocation to con-

ventional forces will be used, in part, to enhance their capability to respond to crisis in areas of key interest, such as the Mediterranean region.

The plan reportedly calls for acquiring during the next five years:

- A large number of new AMX-10 RC armored vehicles and additional AMX-30 medium tanks.
- Some 200 Jaguar fighter bombers and Alpha Jet ground attack aircraft.
- A number of Super Etendard aircraft capable of delivering nuclear weapons for the navy.
- The first 4 of 20 nuclear-powered attack submarines.
- The country's first nuclear-powered helicopter carrier.
- A sixth ballistic-missile submarine.

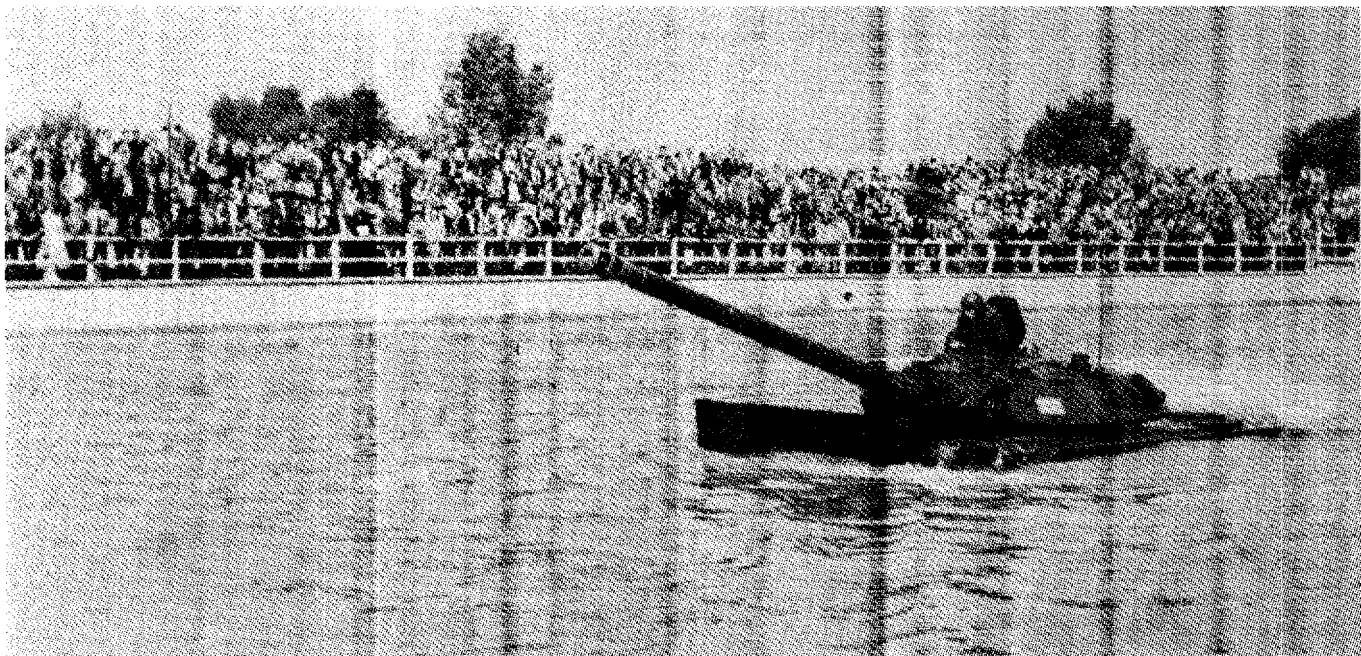
The Ministry of Defense also announced that the number of men and command levels in the army will be reduced in an attempt to make that force more efficient. The one-year conscription system will be retained, however, despite its growing unpopularity within the country.

## East Asia-Pacific

## CHINA 34-36

The situation in China remains tense in the wake of the Peking riots of April 5 and Teng Hsiao-ping's ouster. The party's left wing would like to continue its offensive—especially while Chairman Mao is still alive—by purging other unnamed "capitalist roaders" who supported Teng. Party moderates thus far have managed to keep the lid on.

The left continues to dominate the propaganda and has escalated its attacks on Teng. It has branded him a "conspirator," implying that he had collaborators whom the left would like to remove. At least one broadcast has argued for Teng's removal from the party. Several others have gone well beyond criticism of Teng, calling for expanding the campaign to include other capitalist roaders still in power in the party.

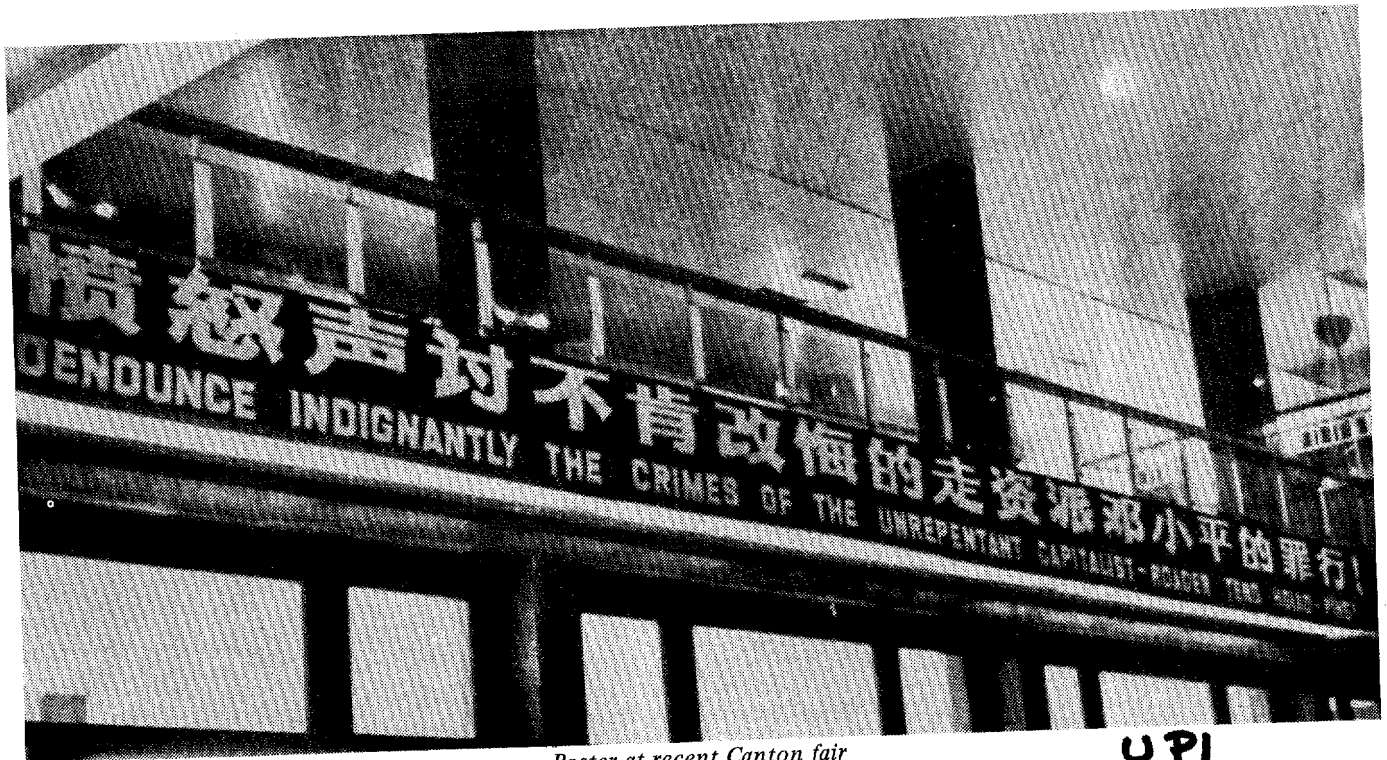


AMX-10 RC amphibious tank

Gamma

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Poster at recent Canton fair

UPI

Teng's removal was not a popular step, and word of disaffection within the general populace and on the part of some provincial leaders continues to filter out of China. Concern that this dissatisfaction may result in further violence, such as the explosion outside the Soviet embassy in late April, is evident in the propaganda against "counterrevolutionaries"—a codeword for perpetrators of civil disorder—and in heightened security measures in Peking.

Despite their show of unity on May Day, Chinese leaders seem to be making no secret of the divisions among them. Three leading moderates appear to have boycotted a reception on April 26, attended by the rest of the leadership, to honor those who put down the Peking disturbances. The reception seemed a symbolic act to underline the militant suppression of pro-Teng sentiment at the riot of April 5, but it has not received much propaganda play.

It is far from certain that the left can carry out a wide-scale purge. Given the

sullen mood throughout the country, and especially the feeling the anti-Teng campaign is besmirching the memory of Chou En-lai, a massive effort to root out Teng's supporters could well prompt a new and larger round of political turmoil. This is something that leaders of all political stripes would like to avoid.

For the moment, the left has been unable to translate its rhetoric into action. The bitterness caused by Teng's removal suggests that the current stalemate cannot hold indefinitely and will give way to another major leadership struggle before some degree of stability in the upper ranks of the party can be achieved.

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### USSR-INDOCHINA

40-42  
Lao party and government leader Kaysone Phomvihane's recent two-week state visit to the USSR was the occasion

for the latest Soviet effort to foster improved relations with the communist regimes of Indochina. The USSR enjoys relatively little influence elsewhere in Southeast Asia and hopes to profit from the problems confronting China in its relations with Vietnam and Laos.

Kaysone's trip was successful, even though long on ceremony and short on substance. The major economic aid agreement between the two countries for 1976-77 was signed last January, and Kaysone spent most of his time touring the USSR. The visit nevertheless resulted in four new agreements and a communique confirming that Vientiane—like Hanoi—is presently friendlier toward Moscow than it is toward Peking.

In the communique, the Lao endorsed a number of Soviet positions on international communist and foreign policy issues. For example, they accepted the current Soviet formula on Asian security. In endorsing the Soviet call for Asian "peace and stability" through the "joint efforts of the states of the continent," the

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Lao moved a step ahead of their mentors in Hanoi. This will not sit well with the Chinese, who maintain that the Soviet Asian security proposal is aimed at developing a pro-Soviet alliance on China's borders.

Before Kaysone's visit, the Soviets had sent Deputy Premier Arkhipov to Hanoi to follow up on the aid commitments Moscow made last fall during North Vietnamese party leader Le Duan's state visit to the USSR. Arkhipov attended the third session of the Soviet-Vietnamese joint economic commission and signed a new protocol on aid and trade.

Moscow is also continuing its courtship of the Cambodian Communists. Soviet leaders sent congratulatory messages to their Cambodian counterparts when their party and government assignments were formally announced in mid-April. Cambodia, which had previously ignored such messages, this time responded to the Soviet greetings.

One Soviet official, presumably encouraged by this show of courtesy by Phnom Penh, subsequently said that Moscow expected to reopen its embassy in Phnom Penh soon and had already selected an ambassador. Other Soviet officials, however, are pessimistic.

## THAILAND

The new Seni government, in office only two weeks, is already moving decisively and effectively to resolve several potentially troublesome issues.

Within days of winning a lopsided vote of confidence in the National Assembly, Seni announced a shake-up of the armed forces high command that has won high praise from most senior military officers. Seni inherited an army leadership embittered by efforts of Deputy Prime Minister Praman, in his former capacity as defense minister, to increase his influence in the army by ignoring traditional promotion channels and appointing his own men to key positions. Seni has now pushed aside those generals loyal to Praman, strengthening his own position within the military, while weakening, at least temporarily, Praman's political base.

Within the past week Seni's foreign minister, Phichai Rattakun, signaled his intention to continue an increasingly nationalistic Thai foreign policy. In response to public outcries over a Malaysian military operation against local insurgents that spilled over into Thailand, Phichai delivered a toughly worded note to the Malaysian ambassador that seems

likely to lead to strict curbs on Malaysian counterterrorist activities inside Thailand.

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## ARGENTINA

The trust and confidence engendered by the military junta's politically neutral, businesslike approach to governing are beginning to give way to concern over arbitrary security practices and over President Videla's seemingly unsteady grasp on his authority.

Members of major unions and political parties have expressed fear about the implications of recent widespread arrests and take-overs of unions the government had pledged not to touch. Their impression that local military commanders are operating without—or perhaps despite—central direction is shared by

journalists. Indications are that the three services are working at cross purposes. The navy, for example, has failed to honor Videla's request for a comprehensive list of prisoners it is holding. Videla has reportedly encountered opposition from navy chief Admiral Massera, a fellow junta member.

Videla has been preoccupied with creating the impression of evenhandedness toward business and labor. To soften the impact of the junta's pro-business economic policy, Videla decreed across-the-board wage hikes and arrested a number of businessmen accused of price gouging. He evidently sees his immediate prime task as convincing the country of the junta's good faith, so

that the way will be cleared for implementing its broad range of policies.

Meanwhile, however, Videla's low-key style and lack of aggressiveness have contributed to independent behavior by local commanders and to interservice competition. Proponents of harsher security measures take the President's mild manner as an invitation to do things their own way. At some point soon, Videla will be obliged to assert his authority by reinforcing in officers operating counter to his wishes. His failure to do so would cost the junta the favorable image it has managed to create abroad as well as the popular support that gives the government leverage against the terrorists and other domestic problems.

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*The Spanish government is advancing the pace of its reform program, but still faces the problem of proceeding fast enough to placate the left without provoking a rightist backlash.*

54-57  
**Spain: Prospects for Reform**

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The Spanish government, largely in response to increasingly vocal opposition from the left, is moving forward on its program to liberalize the system inherited from Franco.

In the six months since Franco's death, King Juan Carlos and the government headed by Prime Minister Arias have created a freer atmosphere, but they have been slow in developing and publicizing plans for changing the basic political structure.

Prime Minister Arias finally laid out a timetable for reform in his speech on April 28. Arias' imprecise outline of the government's plan did little to quiet the opposition, however, and the government last week began to flesh out the bare bones program he announced. Indeed, the proposals for the referendum to be held next October, as approved by the cabinet last Friday, go further than Arias had seemed to promise in his speech.

In other gestures toward a more open political system, King Juan Carlos has been consulting with opposition leaders, the government has released several well-known Communists arrested last month, and it has promised to free all remaining political prisoners soon.

**The Reform Program**

The government has chosen to follow a path of gradual change and to push its program through the rightist-dominated Cortes—Spain's parliament—in the hope

the legislators will go along as they become exposed to the pressures for reform. The government's strategy is to retain as much of the form of Franco's system as possible. Even major changes are couched in corporate-state terminology—legislators are referred to as

"family representatives," and political parties as associations.

More than just the rhetoric of the corporate state will be retained. The referendum will call for a bicameral legislature in which the 300 "family representatives" of the lower house will be selected by univer-



Prime Minister Arias (l) with King Juan Carlos

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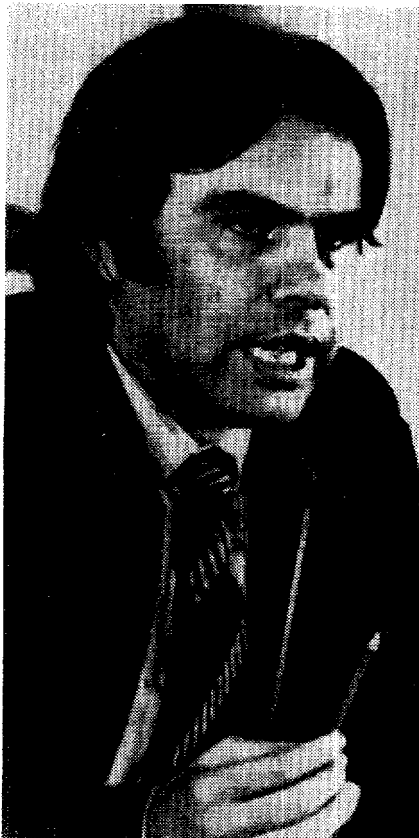
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sal suffrage, but the upper house will represent interest groups as does the present Cortes.

Initially, the government was reported to favor a proposal calling for the upper house to be selected through indirect elections, but this drew the immediate fire of the opposition. Socialist leader Felipe Gonzalez threatened to boycott the referendum.

Reformist cabinet ministers led by Interior Minister Fraga and Foreign Minister Areilza apparently won some concessions last week. The government's proposal now calls for an upper house of 285 members, of whom 200 will be directly elected from lists drawn up by municipal and provincial councils and labor unions. Twenty-five of the senators are to be appointed by the king, 20 chosen by professional groups, and 40 members of the current Cortes, appointed for life by



*Felipe Gonzalez*

Franco, will be retained.

Questions still remain whether the upper house will have equal power with the lower house and to what extent the government will be responsible to a parliamentary majority. Neither the constitution nor the government's explanation of its referendum proposal appears to establish a traditional parliamentary system.

The referendum will also provide an indirect test of popular sentiment about the monarchy. The question to be voted will propose lowering the minimum age of the King's successor from 30 to 18 and permitting women to accede to the throne.

The wording of the government's proposal for a consultative economic and social council is being interpreted as establishing the right of labor to organize separately from management. The current Spanish syndical system merges both into the same organization. This appears to be a government concession to the opposition, which had been upset that labor reform was not to be included in the referendum.

Other aspects of the government's reform package are to be handled only as simple legislation. An election law extending suffrage will be submitted within a few weeks, and draft laws lifting the restrictions on freedom of assembly and organization of political parties have already been sent to the Cortes.

Reform advocates are convinced that the government has sufficient influence to get its proposals passed. To reduce the opportunity for rightist obstruction, Arias has invoked "urgency procedures" requiring the Cortes to act within 25 days.

#### **Objections from the Left**

The opposition remains skeptical, however, that reforms can be made from within a system in which the right wing is so entrenched. Principal opposition leaders are thus unwilling to be seen as cooperating with the government, at least until there has been some significant progress.

Government hopes of luring most of the opposition into full political participation are complicated by the troublesome ques-

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*Jose Maria Gil Robles*

tion of the Communist Party. The one issue on which even the more democratic-minded members of the government refuse to budge is the left's demand for the legalization of the Communist Party. They fear legalization would provoke the right and cause the military to intervene.

Major opposition groups, like the Socialist Workers Party and leftist Christian Democratic factions, have recently aligned themselves with the Communists in a political alliance called the Democratic Coordination. These groups, and especially Socialist Workers' leader Gonzalez, believe the Communists' long opposition to Franco and the pragmatic political positions they now espouse earn them a legitimate claim to political participation.

The democratic opposition groups are willing to work with the Communists because they believe:

- That a tactical alliance of all opposition groups is the only way to mount sufficient pressure for reform.
- That the Communists can best be contained through open competition that will expose their limited popular support.

**Pictorial Parade**

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- That operating freely will reinforce any democratic trends that may exist within the Communist Party.

Despite many impediments to cooperation between the opposition and the government, there are indications that the democratic left may yet have a positive role to play. There are increasing contacts between the two, highlighted most recently by King Juan Carlos' discussion with Jose Maria Gil Robles, who last month led his Christian Democratic faction into the Democratic Coordination alliance. Such contacts could evolve into a dialogue.

#### **Odds of the Gamble**

Spain's economic progress in recent years has given most Spaniards a sense of having a stake in the system, an attitude that cuts across class lines. There is no large, disenchanted group of people eagerly awaiting a revolution.

Even at the height of the leftist-sponsored strikes and demonstrations a few weeks ago, the workers' protests appeared to be primarily over economic issues. The Communists and Socialists are strong in

the labor movement but have had little success so far in interesting the workers in political issues.

Polls this year suggest that most Spaniards favor the government's approach to reform and support the King. At the same time, however, the polls show a desire to move faster to liberalize the system.

The government has been slow to capitalize on this latent support. Efforts are only now getting under way to form centrist parties that would draw support from the middle class and provide a bridge between pro-government groups and the opposition. Opposition Christian Democratic leaders are talking with pro-government groups, and if they can be persuaded to support the government's program, the Socialists might reconsider their threat to boycott the government-sponsored referendum and elections to the bicameral legislature.

To gain active support from the center, however, the government must show some concrete achievements soon, although efforts to speed change would further

energize the right and jeopardize government unity.

Arias has been accused of foot-dragging by reformists in the cabinet, and even Juan Carlos is said to have lost his patience with the Prime Minister's reluctance to take a leadership role.

An attempt to replace Arias could bring the King into direct confrontation with the right—something he has avoided so far. He backed off from an earlier notion to replace Arias in the belief that the Francoist majority in the Council of the Realm—which is constitutionally charged with nominating the prime minister—would give him a slate of unacceptable candidates to choose from.

Should Arias continue to be seen as an impediment to reform, the King might have no choice but to try to strong-arm the Council into putting his candidate on the three-man list. The King might also be forced to take a tougher stance if the Cortes stymies his reform program. Some thought has already been given to taking the entire reform program to the people in a referendum.

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*The Communist Party is working hard to persuade voters that its participation in policy making is essential for economic stability. Party economists have been proposing a number of nondoctrinaire solutions to Italy's economic woes, many of them close to those advocated by center-left parties.*

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## **Italy: Communists' Economic Proposals**

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The Italian Communist Party is working hard to convince voters in the national election next month that its participation in policy making is essential for economic stability.

Economic proposals that have been

made by party experts largely provide nondoctrinaire solutions to Italy's immediate problems. Many of the proposals, particularly on fiscal matters, are close to those advocated by center-left parties. The Communist program, nevertheless, is carefully contrived to

protect worker income and reduce Italy's economic dependence on the West.

The Communists are vague about their longer term economic goals. Party chief Enrico Berlinguer talks of a system of "democratic planning," but what he means by this has never been defined.

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The Communists see an equilibrium in Italy's balance of payments as the most immediate economic goal. To relieve pressure on the lira, they recommend tighter controls over speculative financial flight and over foreign exchange payments. The party wants the EC to grant Italy authority to establish import quotas for luxury items, and has called for revival of the import deposit scheme, a step the government took last week. If consumption of imported goods must be curbed, the Communists view rationing as more equitable than price increases.

Party economists generally oppose further economic assistance from abroad. They consider Italy's huge foreign debt—totaling \$15.5 billion—a symbol of foreign control over the Italian economy. Eugenio Peggio, one of the party's leading economic experts, has denounced credits from the EC and the International Monetary Fund as threats to Italian autonomy because they specify constraints on the growth of public spending and credit. Any further foreign borrowing, he asserts, must come with no strings attached.

The Communists reject any type of incomes policy as a way to reduce Italy's payments deficit. They argue that the burden of such policies would fall largely

on lower income groups. The party admits that unit labor costs must be competitive with those of trading rivals, but it rejects wage controls of any kind. Peggio asserts that moderation on wages can come about only after organized labor has been given a larger role in business planning and investment.

The Communists also promise voters relief from the credit squeeze that the government has instituted to bolster the lira. The party recommends that the government establish a special line of credit to provide financing for priority projects in agriculture, housing, energy, and the employment of youth. At the same time, it recommends that financial institutions give priority to small businesses in providing credit.

#### **Import Substitution**

The Communists consider import substitution essential to long-run improvement in Italy's balance of payments. In common with many center-left economists, Peggio recommends the rapid expansion of domestic agriculture and the maintenance of the farm population at current levels. He particularly emphasizes the need for increased meat production; foreign exchange expenditures for imported meat are second only to those for crude oil.

The Communists go much further than most economists in advocating major surgery for the Common Agricultural Policy of the EC. In the party's view, the EC farm policy has served only to keep the prices of Italian agricultural imports high. The Communists would restructure EC policy so that benefiting members would finance at least half of their own agricultural surpluses.

The party also advocates some shift in the flow of Italian trade, ostensibly to conserve foreign exchange. Peggio urges that trade in industrial goods be shifted toward supposedly less expensive suppliers either in the USSR and Eastern Europe or among the developing countries. He also recommends barter agreements like those between East European countries and the USSR.

The Communists believe long-term



*Eugenio Peggio*

economic stability requires the streamlining of government operations. Party resolutions recommend ceilings on the expenditures of the central government and state-owned companies, as well as the decentralization of fiscal programs. The Communists would have almost all public projects in the fields of health, education, housing, and transportation turned over to the regional governments. To add to government revenues, the party favors tougher tax treatment for upper income groups; it urges random tax auditing to curb evasion and accelerated collection of overdue taxes.

#### **System Called Obsolete**

Luciano Barca, chief of the party economics section, says Italy's economic system is obsolete. He asserts that free enterprise in Italy has rested on cheap labor and inexpensive raw materials. He adds that the collapse of these pillars, with the strengthening of the labor union



*Luciano Barca*

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movement and the energy crisis, plunged Italy into its present economic troubles. He would, however, grant broad concessions to the market, since Italy would need continued contacts with outside market economies.

The Communists insist that they want to move Italy toward a planned economy through democratic processes. They are purposefully vague about their ultimate goals, including the eventual ownership of the factors of production. In the short run, the Communists would apparently like as full control of the economy as possible without completely alienating private business.

They reject massive nationalization, which would quickly extinguish private enterprise. In any event, the government already owns at least one third of Italian industry. The Communists would attempt to control investment flows through credit and tax policies, more effective manipulation of public companies, and planning agreements with private companies.

Economic planning should work, Barca states, to achieve a "fundamental social transformation" by mustering the full weight of industry to serve social needs. The Communists would channel more investment into housing, schools, hospitals, public transportation, and economic development in southern Italy. They favor labor-intensive investments and increased capital spending in food-processing industries. One party member who deals in economic and labor policy matters says planning would reduce duplication of manufacturing facilities and lead to a better utilization of industrial capacity.

With the lessons of Chile in mind, the party is cautious not to present too militant a front. The Communist platform has considerable appeal to the mass of voters, especially at a time when unemployment is still rising. To many Italians, the party is not only blameless for the current economic malaise, but it offers a way out that entails minimum sacrifice for labor.

Despite the party's professed allegiance to the EC, several of its proposals run counter to Community doctrine. Communist demands for a reform of the EC's

agricultural subsidy mechanism amount to an attack on the system itself. Proposals to control luxury imports, reduce import dependence, and redirect trade toward the East could only be accomplished by imposing controls or providing subsidies. Such measures would threaten the most solid achievement of the EC—the free flow of goods and services among member states.

Many of the party's proposals are, of course, dominated by self-interest.

- Its call for fiscal decentralization

is clearly motivated by the pronounced strength of the party in regional governments rather than by any clear prospect of efficiency gains.

- Its proposal to curb federal expenditures sets no limits on local government funds or social security funds.

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- Its call for greater direction of industry and formulation of economic priorities by the central government would increase the power of the bureaucracy.



Enrico Berlinguer (r) with Communist Party President Luigi Longo

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*Assuming the security situation settles down enough to permit Sarkis to assume the presidency, he may be able to act as a relatively neutral arbiter of Christian and Muslim interests. Much will depend on leftist leader Kamal Jumblatt's willingness to work with Sarkis and on the latter's ability to control the Christians.*

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## Lebanon: Prospects for Ilyas Sarkis

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Renewed fighting in Lebanon following the presidential election on May 8 underscores the magnitude of the task of reconciliation facing president-elect Ilyas Sarkis. Until more security is restored, Sarkis cannot be certain he will assume office, let alone be able to cope effectively with the problems of bringing Christians and Muslims to the negotiating table.

Although a Christian, Sarkis does not fit the traditional mold of Lebanese chiefs of state. Unlike most of his predecessors,

he was not born into the conservative Christian establishment. He has always been close to the center of power, but he has little taste for its trappings. He rose to the presidency on his own, in large part because of his abilities as a highly competent administrator and a shrewd behind-the-scenes negotiator. He has been helped along by several leading politicians but is obligated to few.

Perhaps the most important difference between Sarkis and other Lebanese leaders is his emphasis on practicality

over principle. He may be able to set attainable goals and realistic priorities. This pragmatism is likely to offend his co-religionists and the Muslim left—both of whom see their struggle in moral as well as political terms—but it may keep Sarkis above the endless wrangling over which side is right and which is wrong. This has scuttled previous attempts at reconciliation and compromise.

If leftist leader Kamal Jumblatt can be persuaded to work with the new president, Sarkis may be able to act as a relatively neutral arbiter of Christian and Muslim interests. He seems personally to favor this role. This would allow the Syrians, whose own role as mediators has been controversial, to work through Sarkis.

The Christians will put strong pressure on Sarkis to argue their case, and, over time, Sarkis will inevitably be drawn close to their side, especially on such contentious issues as secularization of the government and reconstruction of the army.

As a conservative Christian, Sarkis is likely to work hard to preserve as much of the Christians' special political status as possible. He may press Christian leaders, however, to give up their less useful prerogatives and to be more flexible.

Sarkis also seems to appreciate the power of the Palestinians in Lebanon and the need for their continuing cooperation in peace efforts. Sarkis will have difficulty overcoming the near obsession of the Christians with the need to control the Palestinians. He may be able to fashion some compromises, however, by giving private assurances to Palestinian leaders.



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We know little about Sarkis' personal relationship with important Christian leaders. The strong support he received from Phalanges Party leader Pierre Jumayyil suggests that Jumayyil has confidence in Sarkis and generally approves his stand on key issues. Interior Minister Shamun, on the other hand, has a long-standing grudge against Sarkis stemming from Shamun's intense dislike for Sarkis' political mentor, the late president

Fuad Chehab. Shamun, moreover, almost certainly finds fault with Sarkis' liberal attitude on reforms and his inclination to seek compromise.

Sarkis should be able to strengthen Jumayyil's hand in dealing with Shamun, who, with President Franjyiah's support, often scuttled Jumayyil's more flexible proposals. Sarkis, however, has no independent power base in Christian circles, and he will have to depend almost ex-

clusively on persuasion in dealing with both Shamun and Jumayyil.

To a large extent, his success will hinge on his ability to control the Christians, who expect him to delay any further erosion of their power. Should Sarkis fail to do this, his presidency will be wholly dependent on support from Syria and, thus, would be attacked by both Christians and Muslims.

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*Prime Minister Manley's efforts to bring Jamaica's black population into the mainstream both socially and economically has led him steadily leftward. Less radical than some of his followers, he would probably prefer to court middle-class support in the election he faces before May of next year, but events may impel him to run on a strictly radical versus conservative platform instead.*

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## ***Jamaica: In Pursuit of Its National Identity***

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Nearly 16 years after its independence from the UK, Jamaica has reached a crossroads. Prime Minister Michael Manley's efforts to bring the black population into the mainstream both socially and economically has led him steadily leftward.

Manley claims to be a democratic socialist, but he has aroused fears of more revolutionary intentions. He has strongly identified his country's foreign policy with the Third World and has looked to

Fidel Castro's Cuba for models and for moral support in carrying out his domestic reforms.

Manley's policies—particularly the close ties with Cuba and the independence he has allowed young militants in his own party—have caused a strong backlash. As an election year begins, he finds himself in serious political trouble. He has moved toward the center in recent weeks in an effort to recapture middle-class and business support, but he is finding it difficult to shed his leftist image.

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*Prime Minister Manley*

### **The Cuban Tie**

Castro has had a major impact on Manley. En route to the nonaligned conference in Algiers in September 1973, Manley, Castro, and Prime Minister Forbes Burnham of Guyana spent long hours together aboard Castro's plane. Manley later referred to the flight as "one of the great experiences of my life."

Manley has found Cuba's experience in developing social programs, particularly in the fields of education, public health, and school and housing construction, especially relevant to Jamaica. Manley has also been impressed with Cuban technical advances in areas such as agriculture and livestock, sugar cane technology, and commercial fishing.

In March 1975, the first major technical cooperation agreement between the two countries was signed. It provided for 183 Jamaican youths to go to Cuba to study the use of community self-help in housing construction.

During Manley's visit to Cuba last July, technical cooperation was institutionalized with the establishment of a joint economic, scientific, and technical commission that is to meet semiannually. Since the commission's first meeting last November in Kingston, three projects have been begun, and others are in the planning stage.

Cuba now has 83 technical specialists in Jamaica, in addition to an active embassy

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*Luis Castriota*

staff and a Cuban press office. They include:

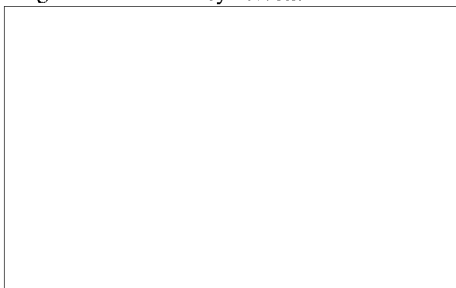
- A team of 20 Cubans who arrived in early February to build six small dams that will be used as models for an ambitious program to provide water to Jamaica's farmers.
- An advance party of 55 Cubans who arrived in February to make final preparations for the building of a 500-student residential secondary school specializing in the training of agricultural technicians. The remaining members of what is to be a 250-man construction team are due to arrive soon.
- Eight specialists in the construction of prefabricated houses who are working on a project in the town of Falmouth.

#### **Cuban Activities**

Havana has been particularly active and successful in cultivating Jamaican youth groups. Its contacts with the youth wing of Manley's People's National Party date from August 1974, and many of the leaders of that organization, including its director, Luis Castriota, are fervent advocates of close ties with Cuba.

The Cubans may already be providing political training of some Jamaicans. The Jamaican youths who were sent to Cuba last summer to work in housing construc-

tion were selected from Minister of Housing Anthony Spaulding's stable of party thugs, and at least a few of them can be expected to become grass-roots party organizers when they return.



#### **Party's Leftward Drift**

The People's National Party has begun to move further and further to the left. Party leaders have publicly advocated the creation of a one-party state and an end to any role for private enterprise.

The racial overtones of statements by party leaders have caused ethnic minorities to emigrate at accelerating rates. In January, political violence sparked by rival gangs affiliated with the People's National Party and the Jamaican Labor Party devastated entire city blocks in the slums of West Kingston.

#### **The Offensive Boomerangs**

With elections due no later than May 1977, Manley's base of support has been weakened, but probably not enough to prevent his re-election. He has almost certainly lost ground among middle class voters and among the young businessmen and professionals who financed his last campaign.

Manley could be hurt in the rural areas as well, where his party made significant inroads into the opposition's traditional rural base in 1972. Manley's flirtation with Cuba may cost him the votes of some small farmers.

Manley will try to recoup by consolidating his hold over the urban poor. The critical question in the election will probably turn on whether Manley's party can secure a high turnout of slum voters and win a good percentage of the 18 to 21 year olds who are voting for the first time.

#### **Search for Aid**

The Manley government appears to be

making some headway, especially with international organizations, in its search for economic assistance. Jamaica has obtained emergency balance-of-payments aid of \$29.2 million from the International Monetary Fund's oil facility mechanism and has availed itself of the Fund's gold tranche.

The World Bank is studying several new loans totaling at least \$45 million that would promote rural and urban development and is considering Jamaica for an ambitious pilot program aimed at tackling urban unemployment. The Inter-American Development Bank is examining a request for a \$20-million industrial credit loan. In addition, smaller loans have been offered by Kuwait and the Caribbean Development Bank.

Jamaica has begun to turn to some of the more radical nonaligned countries and to Eastern Europe in its efforts to expand its markets, acquire technology, and decrease its economic dependence on the US. In March, Hungary reportedly agreed to construct an alumina plant in Jamaica, and Algeria signed an agreement for future yearly delivery of 150,000 tons of Jamaican alumina.

Diplomatic relations were established with Libya in February, and the Qadhafi government agreed to send a delegation to Kingston soon to promote economic and technical cooperation.

#### **US Interests**

US investments in Jamaica total about \$1 billion. The US receives over half of its bauxite and nearly one quarter of its alumina from Jamaica. US investment in the Jamaican bauxite and alumina industry is about \$660 million.

Realizing the need for the US market, Manley and his negotiators have dealt judiciously with the six North American aluminum companies (five US, one Canadian) that dominate the industry. It was not until the dramatic rise in oil prices in the winter of 1973 and 1974 that the government began to pressure the companies to renegotiate their contracts.

In June 1974, Jamaica broke off negotiations and increased the export tax on bauxite by 500 percent. The tax has

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been crucial to the island's economic survival and now accounts for over 30 percent of government revenues.

Shortly after the imposition of the bauxite tax, the government began acquiring majority ownership in the aluminum companies. In October 1974, provisional agreements were reached with Kaiser—and in the following months with Reynolds and Revere—that called for the government to buy 51 percent of the mining operation over a 10-year period.

Discussions are under way with the largest company, Alcoa, that will presumably set the pattern for the final agreement with all the companies. Kingston has been in no hurry to make a final settlement, presumably because it lacks the revenue to purchase equity participation.

The government has been put in a difficult bargaining position because of the depressed state of the bauxite industry. Bauxite and alumina export earnings in real terms dropped by about 20 percent last year. Reduced aluminum demand forced Revere to close down its refinery,

and other companies have had to lay off workers or shorten working hours.

As the bauxite industry recovers from its current depressed state, Manley will be encouraged to drive a hard bargain with the companies, especially on the issue of minimum production levels. This issue could become particularly delicate if the government thinks the companies are cutting back production in Jamaica disproportionately to cutbacks in other countries where they have operations.

#### Manley's Prospects

To retain power, Manley will probably try to carry water on both shoulders, attempting to regain the confidence of his former middle-class backers while at the same time holding on to his left-wing support. This will not be easy, but Manley will probably muddle through, winning re-election, although by a much smaller margin than in 1972. Left wingers in the party will put continual pressure on him, but as long as he does not move too sharply to the center they are likely to see their long-run prospects as being better served by working for his re-election than by

splintering the party and leaving the field to the opposition. While Manley's support from business and the middle class has eroded markedly, the point of no return has not been reached, and Manley is actively courting the favor of the commercial elite—apparently with some success.

There is some danger, of course, that the relationship with Cuba may already have acquired sufficient momentum to make a reconciliation with the middle-class, moneyed-elite branch of his coalition impossible to achieve even through the election period. If Manley judges that to be the case, he is likely to run on a straight radicals versus conservatives platform. In that event Manley would have to mortgage himself to the strong-arm methods of the ultra-radicals. Though Manley's constitutionalist roots are still strong enough to allow him to accept honorable defeat, this is not true of the left-wing party leaders, and their efforts to steal the election or seize it by force could either mark the end of Westminster democracy in Jamaica or produce bloody civil strife.

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*Fireman surveys damage following January riots in Kingston*

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